



## Fact Sheet

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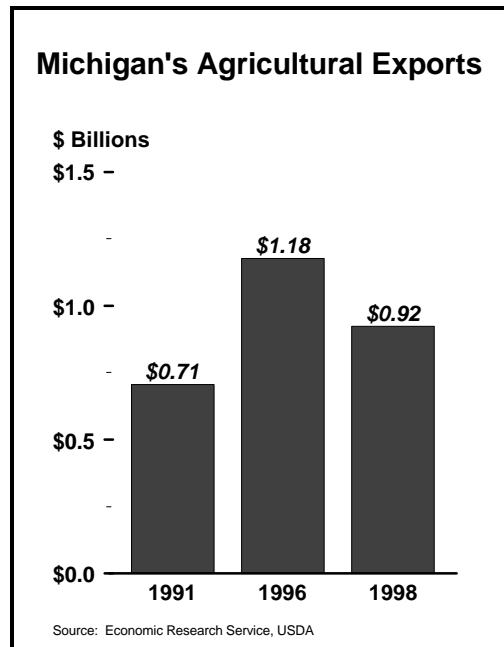
### *Permanent Normal Trade Relations with China* **What's at Stake for Michigan?**

Michigan is an important producer and exporter of agricultural products. Forest products are also important. The state's farm cash receipts and forest product shipments totaled \$3.5 billion in 1998 and \$1.7 billion in 1996, respectively. As for exports, Michigan ranked 20th among all 50 states, with the value of agricultural products leaving the state estimated at \$924 million in 1998. These exports help boost farm prices and income, while supporting jobs both on the farm and off the farm in food processing, storage, and transportation.

#### **Trade Benefits**

The following key products are important to Michigan, and expected to reap some of the largest agricultural export gains from China's accession to the World Trade Organization (WTO).

- # **Soybeans and Products**—Michigan's soybeans and product exports worldwide were estimated at \$240 million in 1998. China is the world's largest growth market for soybeans and products, and has taken important steps under its WTO accession agreement to open its market to these products. Tariffs will be bound at a low 3 percent on soybeans and 5 percent on soybean meal with no quota limits. For soybean oil, the tariff will drop to 9 percent, and the tariff-rate quota and state trading will be eliminated by 2006.
- # **Feed Grains**—Michigan is a large feed grains and product producer, with exports worldwide estimated at \$163 million in 1998. China's grain policies are becoming more market-oriented and its WTO accession commitments will speed up this process, opening up real long-term opportunities for foreign grain suppliers. China committed to a nominal 1-percent tariff on all grains imported within a tariff-rate quota (TRQ). The TRQ on corn will be initially set at 4.5 million metric tons and grow to 7.2 million metric tons by 2004. Private traders will be permitted to handle 25 percent of imports under the TRQ, growing to 40 percent. In 1998, China imported less than 250,000 metric tons of corn from all countries. China's commitment to end export subsidies will reduce its price competitiveness for corn in other markets.
- # **Vegetables**—Michigan is also a vegetable-growing state, with fresh and processed vegetables exports worldwide estimated at \$147 million in 1998. Under its WTO accession agreement, China's tariffs on vegetables will drop up to 60 percent, depending on the product, by 2004. For example, existing tariffs of 16 percent on lettuce and 13 percent on broccoli, celery, frozen sweet corn, and mixed vegetables will fall to 10 percent. Tariffs on canned tomato paste will fall from 25 percent to 20 percent. Deeper cuts are planned for canned sweet corn and tomato ketchup. Tariffs on these products, now set at 25 percent and 30 percent, will fall to 10 percent



and 15 percent, respectively.

- # **Fruit**—Michigan's fresh and processed fruit exports worldwide were estimated at \$84 million in 1998. Under its WTO accession agreement, China will reduce tariffs by 70 percent on fresh citrus fruit by 2004 as tariffs of 40 percent on oranges, grapefruit, and lemons will drop to 12 percent. Tariff reductions of up to 57 percent are scheduled for citrus and other fruit juices. For fresh and processed deciduous fruit, tariff reductions of up to 75 percent are scheduled. Tariffs on pears, fresh and canned peaches, and jams and jellies will fall from 30 percent to 10 percent, while tariffs on plums, raisins, and grapes will fall from 40 percent to 10-13 percent.